

# **FISCAL NOTE**

## **SB 3108 - HB 3166**

March 18, 2004

**SUMMARY OF BILL:** Provides a franchise and excise tax credit equal to 1% of the amount spent by a taxpayer on qualified research expenses for research conducted in Tennessee. Any unused credit could be carried forward for up to 15 years.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$109,600 / One-Time**  
**Decreases State Revenues - Exceeds \$3,000,000 FY04-05**  
**Exceeds \$8,000,000 FY05-06**

Estimate assumes:

- The National Science Foundation estimates that Tennessee research and development expenditures in 2000 were \$1,215,000,000. Assuming a 3% growth rate, Tennessee R&D expenditures would be \$1,410,000,000 in 2005 and \$1,450,000,000 in 2006.
- Only 50% of the credit can be used each year because it must be taken after other credits and cannot exceed total franchise and excise tax liability.
- Annual carry forwards would total \$1,000,000.
- Due to the effective date of the bill, only two quarters of franchise and excise tax credits would be awarded in FY04-05. In FY05-06 and thereafter, tax credits would be awarded for the full fiscal year.
- One-time expenditures of \$109,600 are for software changes required by the Department of Revenue to carry out the provisions of this bill.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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